

China's Global Oil Deals Could Keep Prices High

By **JOHN J. FIALKA**

Staff Reporter of THE WALL STREET JOURNAL

February 4, 2005; Page A2

Increasing involvement by China and other nations in international oil deals could keep prices high for the foreseeable future, and require more involvement by the U.S. and other governments to secure energy supplies, a panel of energy experts told the Senate Energy Committee.

Jeffrey Logan, an analyst for the International Energy Agency, said China's rapidly expanding demands for oil are being driven, in part, by plans to fill its version of the U.S.'s Strategic Petroleum Reserve and by its need to burn oil to generate electricity.

China's demands for oil jumped 15% last year, while its domestic supplies grew "very slowly," he said. As a result, China moved ahead of Japan to become the world's second-largest oil importer, behind the U.S. Mr. Logan added that China's state-owned oil companies are expanding their reach, contracting for future supplies in Russia, Kazakhstan, Ecuador, Australia and Saudi Arabia. (Prices of natural-gas and crude-oil futures contracts fell yesterday. [See article](#)¹.)

Mr. Logan warned that China's secrecy about its contract incentives, investment amounts and production sharing "may create a more successful image of Chinese companies than is actually the case."

Frank A. Verrastro, an energy analyst for the Washington-based Center for Strategic and International Studies, said oil purchases by national companies led by China and India are creating a "new game for oil." He said hidden bilateral deals, including foreign aid to oil-selling countries, "add a worrisome element" to markets.

Andrew J. Slaughter, a senior economist for Shell Oil Co., said two of three future market scenarios Shell is studying assume a drift from free-market practices, with increasing involvement by governments and more bilateral dealing. Assumptions oil-producing countries can provide enough surplus oil to balance the growing demands, he said, "need reassessment."